

**SANDUSKY COMMUNITY SCHOOLS**  
Sandusky, Michigan

Report on Financial Statements  
(with additional information)  
June 30, 2008

**SANDUSKY COMMUNITY SCHOOLS**  
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Sandusky Community School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Sandusky Community School District administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008 and June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

### **Fund Financial Statements**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Fiduciary Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2008 and 2007:

<b>Assets</b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Current assets	\$ 5,015,709	\$ 4,286,054
Noncurrent assets	<u>13,335,129</u>	<u>12,193,231</u>
Total assets	<u>\$18,350,838</u>	<u>\$16,479,285</u>
<b>Liabilities</b>		
Current liabilities	\$ 3,761,855	\$ 3,170,133
Long-term liabilities	<u>12,462,782</u>	<u>11,642,199</u>
Total liabilities	16,224,637	14,812,332
<b>Net Assets</b>		
Invested in capital assets, net of related	243,119	219,211
Restricted for debt service	1,140,638	1,037,783
Unrestricted	<u>742,444</u>	<u>409,959</u>
Total net assets	<u>2,126,201</u>	<u>1,666,953</u>
Total liabilities and net assets	<u>\$18,350,838</u>	<u>\$16,479,285</u>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$459,248. A few of the more significant factors affecting net assets during the year are discussed below.

**1. Early Retirement Incentives**

The School District approved Early Retirement Incentives for 10 employees during 2007, totaling \$280,500. \$136,500 will be paid in fiscal year 2009. The entire amount has been recorded as a liability of the school district.

**2. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$520,203 was recorded for depreciation expense.

**3. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$38,428 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

**Results of Operations**

For the fiscal year ended June 30, 2008 and 2007, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2008		Year Ended June, 30, 2007	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 2,165,041	18.25%	\$ 2,078,733	17.29%
State sources	8,377,099	70.62%	8,651,256	71.96%
Other	336,332	2.84%	301,292	2.51%
Total general revenues	10,878,472	91.71%	11,031,281	91.75%
<b>Program Revenues</b>				
Charges for services	279,854	2.36%	314,918	2.62%
Operating grants	703,623	5.93%	676,595	5.63%
Total program revenues	983,477	8.29%	991,513	8.25%
Total revenues	\$11,861,949	100.00%	\$12,022,794	100.00%
<b>Expenses</b>				
Instruction	\$ 6,220,494	54.55%	\$ 6,789,271	55.64%
Support services	3,450,293	30.26%	3,728,748	30.56%
Community services	6,654	0.06%	7,412	0.06%
Food services	652,826	5.73%	636,287	5.21%
Athletics	150,886	1.32%	177,983	1.46%
Interest on long-term debt	401,345	3.52%	376,307	3.08%
Depreciation	520,203	4.56%	485,655	3.98%
Total expenses	\$11,402,701	100.00%	\$12,201,663	100.00%
Increase (decrease) in net assets	\$ 459,248		\$ (178,869)	

**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levied 18.0000 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the district levied \$1,237,227 non-homestead property taxes. This represented an increase of 4.48% from the prior year. The amount of unpaid property taxes at June 30, 2008, less an estimate for those deemed to be un-collectible, was \$20,000.

The following table summarizes the non-homestead property tax levies for operations for the past four years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2007 – 2008	\$1,237,227	4.48%
2006 – 2007	1,184,133	12.97%
2005 – 2006	1,048,140	5.05%
2004 – 2005	997,727	

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007 – 2008 fiscal year, the District's foundation allowance was \$7,204 per student FTE, which represented a 1.68% increase over the amount received for the 2006 – 2007 fiscal year.

**3. Student Enrollment**

The following schedule lists the actual blended student FTE for the past four fiscal years:

	Actual Blended Student FTE
2007 – 2008	1,264
2006 – 2007	1,312
2005 – 2006	1,290
2004 – 2005	1,331

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state and other grants accounted for \$703,623. This represents an increase of \$27,028 over the total grant sources received for the 2006 – 2007 fiscal year.

**5. Interest Earnings**

The District received interest on its investments in the amount of \$74,890 for the fiscal year ended June 30, 2008. With interest rates declining from the prior year, interest revenues are down from the prior fiscal year by \$26,986.

**6. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

	2007-2008 Fiscal Year	2006-2007 Fiscal Year	Increase (Decrease)
<b>Expenditures</b>			
Instruction	\$ 6,383,346	\$ 6,508,676	\$ (125,330)
Supporting services	3,496,800	3,738,457	(241,657)
Community services	6,654	7,412	(758)
Food service	652,826	641,430	11,396
Athletic activities	150,886	177,983	(27,097)
Capital Outlay	1,523,901	-	1,523,901
Debt Service	1,009,935	978,116	31,819
Total expenditures	<u>\$ 13,224,348</u>	<u>\$ 12,052,074</u>	<u>\$ 1,172,274</u>

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2007 – 2008 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	\$10,098,741	\$10,199,289	\$10,195,790	\$ (3,499)	-0.03%
Expenditures					
Instruction	6,370,021	6,495,115	6,383,346	111,769	1.75%
Supporting	3,696,950	3,616,154	3,496,800	119,354	3.41%
Community	8,601	8,656	6,654	2,002	30.09%
Total expenditures	<u>\$10,075,572</u>	<u>\$10,119,925</u>	<u>\$ 9,886,800</u>	<u>\$233,125</u>	<u>2.36%</u>

**Capital Asset and Debt Administration****Capital Assets**

By the end of the 2007 – 2008 fiscal year, the district had invested \$11,711,456 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a decrease of \$481,775 over the prior fiscal year. Depreciation expense for the year amounted to \$520,203, bringing the accumulation to \$7,998,542 as of June 30, 2008.

**Long- term Debt**

At June 30, 2008, the District had \$13,348,269 in debt outstanding. This represents an increase of \$947,059 over the amount outstanding at the close of the prior fiscal year.



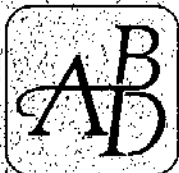
**Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008 - 2009 fiscal year. The early indication is that the foundation allowance for 2008 - 2009 will remain uncertain well into the fiscal year which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the State has not managed to keep down the growth in the rate districts fund the retirement system over the past few years, and the increase in the number of retirees projected to occur over the next few years may also result in higher annual increases.
- The contract with the Sandusky Community Schools Education Association, the union that represents the teaching staff, expires July 31, 2008.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Martha Essenmacher, Superintendent, 191 Pine Tree Lane, Sandusky, MI 48471.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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August 7, 2008

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Sandusky Community Schools  
Sandusky, Michigan 48471

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Sandusky Community School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Community Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2008 on our consideration of Sandusky Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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To the Board of Education  
Sandusky Community Schools  
August 7, 2008

The management's discussion and analysis and budgetary comparison information on pages i through vii and page 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Sandusky Community Schools' basic financial statements. The additional information on pages 25 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

## BASIC FINANCIAL STATEMENTS

**SANDUSKY COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 2,374,674
Investments	963,641
Accounts receivable	13,545
Due from other governmental units	1,626,366
Due from Internal Accounts	17,483
Property taxes receivable	<u>20,000</u>

TOTAL CURRENT ASSETS	<u>5,015,709</u>
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**NONCURRENT ASSETS:**

Deferred bond charges	99,772
Construction in Progress	1,523,901
Capital assets	19,709,998
Less accumulated depreciation	<u>(7,998,542)</u>

TOTAL NONCURRENT ASSETS	<u>13,335,129</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 18,350,838</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 321,002
Accrued salaries, benefits & payroll taxes	790,791
Deferred revenue	58,698
State aid note	1,650,000
Accrued interest	55,877
Current portion of early retirement incentives	136,500
Current portion of long term debt	<u>748,987</u>

TOTAL CURRENT LIABILITIES	<u>3,761,855</u>
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**NONCURRENT LIABILITIES:**

Noncurrent portion of compensated absences	119,759
Noncurrent portion of long term debt	<u>12,343,023</u>

TOTAL NONCURRENT LIABILITIES	<u>12,462,782</u>
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**NET ASSETS:**

Invested in capital assets, net of related debt	243,119
Restricted for debt service	1,140,638
Unrestricted	<u>742,444</u>

TOTAL NET ASSETS	<u>2,126,201</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 18,350,838</u></b>
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The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 6,220,494		\$ 217,578	\$ (6,002,916)
Support services	3,450,293		145,052	(3,305,241)
Community services	6,654	-		(6,654)
Food services	652,826	\$ 230,797	340,993	(81,036)
Athletics	150,886	49,057		(101,829)
Interest on long-term debt	401,345		-	(401,345)
Unallocated depreciation	520,203			(520,203)
Total governmental activities	<u>\$ 11,402,701</u>	<u>\$ 279,854</u>	<u>\$ 703,623</u>	(10,419,224)
General revenues:				
Property taxes, levied for general purposes				1,252,227
Property taxes, levied for debt service				912,814
State of Michigan school aid unrestricted				8,377,099
Investment revenue				74,890
Miscellaneous				261,442
Total general revenue				<u>10,878,472</u>
Change in net assets				459,248
Net assets, beginning of year				<u>1,666,953</u>
Net assets, end of year				<u>\$ 2,126,201</u>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	GENERAL FUND	QZAB DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>					
CURRENT ASSETS:					
Cash	\$ 1,804,371		\$ 265,454	\$ 304,849	\$ 2,374,674
Investments		\$ 963,641		-	963,641
Accounts receivable	9,645			3,900	13,545
Due from other funds	18,459			9,251	27,710
Due from other governmental units	1,626,366			-	1,626,366
<b>TOTAL ASSETS</b>	<b><u>\$ 3,458,841</u></b>	<b><u>\$ 963,641</u></b>	<b><u>\$ 265,454</u></b>	<b><u>\$ 318,000</u></b>	<b><u>\$ 5,005,936</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
LIABILITIES:					
Accounts payable	\$ 101,933		\$ 201,350	\$ 17,719	\$ 321,002
Accrued salaries, benefits & payroll taxes	790,791				790,791
Due to other funds	9,251			976	10,227
Deferred revenue	58,698			-	58,698
State aid note	1,650,000			-	1,650,000
<b>TOTAL LIABILITIES</b>	<b><u>2,610,673</u></b>		<b><u>201,350</u></b>	<b><u>18,695</u></b>	<b><u>2,830,718</u></b>
FUND BALANCE:					
Unreserved:					
Designated for compensated absences	119,759				119,759
Undesignated	728,409			60,431	794,840
Reserved for capital projects			64,104		64,104
Reserved for debt retirement		\$ 963,641		232,874	1,196,515
<b>TOTAL FUND BALANCE</b>	<b><u>848,168</u></b>	<b><u>963,641</u></b>	<b><u>64,104</u></b>	<b><u>299,305</u></b>	<b><u>2,175,218</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 3,458,841</u></b>	<b><u>\$ 963,641</u></b>	<b><u>\$ 265,454</u></b>	<b><u>\$ 318,000</u></b>	<b><u>\$ 5,005,936</u></b>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,175,218</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of capital assets is:	19,709,998
The cost of construction in progress is:	1,523,901
Accumulated depreciation is:	(7,998,542)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(13,092,010)
Early retirement incentives	(136,500)
Compensated absences	(119,759)
Deferred amount on bond refunding	70,285
Deferred issuance costs for bond refunding	29,487
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(55,877)

Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	20,000
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 2,126,201</u></b>
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The accompanying notes are an integral part of the financial statements.



**SANDUSKY COMMUNITY SCHOOLS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	GENERAL FUND	QZAB DEBT SERVICE	CAPITAL PROJECTS	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Local sources					
Property tax	\$ 1,237,227			\$ 912,814	\$ 2,150,041
Interest income	60,314		\$ 5	14,571	74,890
Food sales and athletic admssions				279,854	279,854
Other	205,039			2,278	207,317
State sources	8,330,580			46,519	8,377,099
Federal sources	362,630			340,993	703,623
<b>TOTAL REVENUES</b>	<b>\$10,195,790</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 1,597,029</b>	<b>\$ 11,792,824</b>
<b>EXPENDITURES:</b>					
Instruction	\$ 6,383,346				\$ 6,383,346
Supporting services	3,496,800				3,496,800
Community services	6,654				6,654
Food services activities				\$ 652,826	652,826
Athletic activities				150,886	150,886
Capital outlay			\$ 1,523,901	-	1,523,901
Debt service:					-
Principal retirement				610,000	610,000
Interest				394,477	394,477
Other				5,458	5,458
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,886,800</b>	<b>\$ -</b>	<b>\$ 1,523,901</b>	<b>\$ 1,813,647</b>	<b>\$ 13,224,348</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>308,990</b>	<b>-</b>	<b>(1,523,896)</b>	<b>(216,618)</b>	<b>(1,431,524)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from other funds	-	\$ 137,663		127,185	264,848
Sale of fixed assets	1,750				1,750
Transfer from other districts	52,376				52,376
Payments to bond escrow agent				(1,575,000)	(1,575,000)
Transfer to other funds	(264,848)			-	(264,848)
Proceeds from sale of bonds			1,588,000	1,720,000	3,308,000
Bond issuance costs				(29,487)	(29,487)
Deferred amount				(70,285)	(70,285)
Principal retirement	-				-
Purchase of Land	(5,011)				(5,011)
Interest on Purchase of Land	(6,872)				(6,872)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (222,405)</b>	<b>\$ 137,663</b>	<b>\$ 1,588,000</b>	<b>\$ 172,413</b>	<b>\$ 1,675,671</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>\$ 86,585</b>	<b>\$ 137,663</b>	<b>\$ 64,104</b>	<b>\$ (44,205)</b>	<b>\$ 244,147</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>761,583</b>	<b>825,978</b>		<b>343,510</b>	<b>1,931,071</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 848,168</b>	<b>\$ 963,641</b>	<b>\$ 64,104</b>	<b>\$ 299,305</b>	<b>\$ 2,175,218</b>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY SCHOOLS**  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2008

**Total net change in fund balances - governmental funds** **\$ 244,147**

Amounts reported for governmental activities in the statement  
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However,  
in the statement of activities, the cost of these assets are allocated over their  
useful lives as depreciation:

Depreciation expense	(520,203)
Capital outlay	38,428
Construction in progress	1,523,901

Accrued interest on bonds is recorded in the statement of activities when  
incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	61,139
Accrued interest payable at the end of the year	(55,877)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources  
to governmental funds, while the repayment of the principal of long-term debt consumes the  
current financial resources of governmental funds. Neither transaction, however, has any  
effect on net assets. Also, governmental funds report the effect of issuance costs, premium,  
discounts, and similar items when debt is first issued, whereas these amounts are deferred and  
amortized in the statement of activities. The effect of these differences in the treatment of  
long-term debt and related items is as follows:

Proceeds from debt	(3,308,000)
Principal repayments	2,190,010
Deferred issuance costs	29,487
Deferred amount on bond refunding	70,285

Compensated absences are reported on the accrual method in the statement  
of activities and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	146,690
Accrued compensated absences end of the year	(119,759)

Early retirement incentives are reported on the accrual method in the statement  
of activities and recorded as an expenditure when due in the governmental funds:

Accrued early retirement incentives beginning of the year	280,500
Accrued early retirement incentives end of the year	(136,500)

Revenue is recorded on the accrual method in the statement of activities; In the  
governmental funds it is recorded on the modified accrual method and not  
considered available:

Accrued revenue at the beginning of the year	(5,000)
Accrued revenue at the end of the year	20,000

**Change in net assets of governmental activities** **\$ 459,248**

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
June 30, 2008

	<u>AGENCY FUNDS</u>
<b>CURRENT ASSETS</b>	
Cash	\$       113,863
Accrued interest	<u>              299</u>
<b>TOTAL ASSETS</b>	<u><u>\$       114,162</u></u>
 <b>LIABILITIES</b>	
Due to general fund	\$       17,483
Due to student organizations	<u>          96,679</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$       114,162</u></u>

The accompanying notes are an integral part of the financial statements.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Sandusky School District was organized in the late 1800's and presently covers approximately 156 square miles covering all or parts of 13 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 1,264 students.

The basic financial statements of the Sandusky Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Sandusky Community Schools (the "District") is governed by the Sandusky Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS:**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *QZAB debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used to account for the acquisition and construction of major facilities by the school district.

**OTHER NON-MAJOR FUNDS:**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *2000/2008, 2004, and Durant debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 - August, 2008. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund - Non Homestead	18.000
2000 Debt Service Fund – Homestead and non-homestead	.670
2004 Debt Service Fund – Homestead and non-homestead	3.730

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

4. Inventories and Prepaid items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies, held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years
Vehicles and buses	5 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Teachers with ten years or more of consecutive service will be paid \$22 per day for unused sick days if they leave the district. Each teacher shall be credited with thirteen sick leave days at the beginning of each school year that can be accumulated with no cap for teachers employed by the District as of December 18, 2002. All teachers hired after December 18, 2002, will have a 90-day cap on their unused sick days. Other groups have contracts with negotiated sick leave benefits at varying levels. The long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they are payable currently.

7. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30 are accrued, if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.



**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

8. Long-term obligations (continued).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum only - Total Column.

The total column on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, the School Board must approve these transfers and any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended; Supplemental appropriations were made during the year with the last one approved prior to June 30.

**NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:**

As of June 30, 2008, the District had the following investments.

<b>Investment Type</b>	<b><u>Fair value</u></b>	<b><u>Weighted Average Maturity (Years)</u></b>	<b><u>Standard &amp; Poor's Rating</u></b>	<b><u>%</u></b>
Guaranteed Investment Contract (GIC)	\$ 963,641	1.87	A1+	100.0
Total fair value	<u>\$ 963,641</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>1.87</u>		

1 day maturity equals 0.0027, one year equals 1.00

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK. (Continued):**

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2008, the carrying amount of the District's deposits was \$2,488,537 and the bank balance was \$2,840,231. Of the bank balance, \$100,000 was covered by federal deposit insurance while the remaining bank balance of \$2,740,231 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 7.

The Investment Agreement, dated as of April 12, 2001, by and among LaSalle Bank, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and the Depository holds such Permitted Investments in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia, as guarantor of the Provider's obligations under this Investment Agreement.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):**

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including Fiduciary Funds of \$113,863	\$ 2,488,537
Investments	963,641
	<u>\$ 3,452,178</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 2,374,674
Fiduciary Funds	113,863
Investments - District wide	963,641
	<u>\$ 3,452,178</u>

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% for October 1, 2006 through September 30, 2007 and 16.72% through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were \$ 897,460, \$990,475, and \$879,818, respectively, and were equal to the required contribution for the year.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):**

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

**NOTE 5 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

The Trust & Agency Fund is the custodian for several accounts that are considered school district funds, the balance of which is payable to the General Fund.

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$18,459	\$9,251
Hot Lunch	9,251	
Trust & Agency Fund		17,483
Athletic Fund		976
	<u>          </u>	<u>          </u>
Total	<u>\$27,710</u>	<u>\$27,710</u>

The outstanding balances between funds results mainly from the lag of time between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 7 - LONG-TERM DEBT:**

As of June 30, 2008, the school district had the following long-term debt outstanding:

A) General Obligation Bonds Payable

2000 School Building and Site Bonds

Sandusky Community Schools has issued General Obligation Bonds dated July 26, 2000, in the amount of \$2,065,000, bearing interest at rates varying from 5.00% to 5.50% per annum. These bonds were issued for the purpose of erecting, furnishing and equipping additions to Maple Valley Elementary and developing and improving athletic fields and facilities, parking improvements and sites. The balance of the bonds as of June 30, 2008 was \$135,000. During the school year ending June 30, 2008, \$1,575,000 of these bonds were refinanced.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 7 - LONG-TERM DEBT, (Continued):**

2001 Energy Conservation Improvement Bonds (General Obligation – Limited Tax) Qualified Zone Academy Bonds

Sandusky Community Schools issued 2001 Energy Conservation Improvement Bonds dated June 21, 2001, in the amount of \$1,789,620. The bonds will be repaid with 13 annual payments of \$137,663. The annual payments are being made to the bank of New York Trust Company and will be accumulated until 2014 at which time the bonds will be redeemed. The school is earning interest at the rate of 2% per year on the escrowed funds. The interest will be accumulated by the escrow bank and used to reduce the last two annual payments.

2004 Refunding Bonds (General Obligation – Unlimited Tax)

The Bonds are being issued for the purpose of refunding all of the District's outstanding 1994 Bonds, dated January 12, 1994, which are due and payable May 1, 2005 through May 1, 2021, inclusive, (the "Prior Bonds") and to pay the costs of issuing the Bonds. The bonds were issued January 21, 2004 in the amount of \$9,845,000 bearing interest at rates varying from 2.000% to 4.125% per annum. The balance of the bonds as of June 30, 2008 was \$7,690,000.

2008 Refunding Bonds (General Obligation – Unlimited Tax)

The Bonds are being issued for the purpose of refunding \$1,575,000 of the District's outstanding 2000 Bonds, dated July 26, 2000, which are due and payable May 1, 2011 through May 1, 2021, inclusive, (the "Prior Bonds") and to pay the costs of issuing the Bonds. The bonds were issued March 06, 2008 in the amount of \$1,720,000 bearing interest at rates 3.390% per annum. The balance of the bonds as of June 30, 2008 was \$1,720,000. The net present value savings on the refunding is \$100,391. This is the difference between the present value of the refunded bonds and the present value of the refunding bonds. This is also referred to as the economic gain.

2008 Energy Conservation Building and Improvement Bonds (General Obligation – Limited Tax) Qualified Zone Academy Bonds

Sandusky Community Schools issued 2008 Energy Conservation Building and Improvement Bonds dated March 20, 2008, in the amount of \$1,588,000. The bonds and interest will be repaid in varying principal amounts from March 20, 2009 to March 20, 2023 with interest at 1.5%.

B) 1998 Durant Resolution Bonds

Sandusky Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$154,111 at the interest rate 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2008 was \$90,996.

C) Voluntary Severance Payments

Payments due to teachers and support personnel who accepted the voluntary severance program as of June 30, 2008 are as follows:

August 2008	\$ 6,500
September 2008	\$ 130,000

D) Land Contract

Sandusky Community Schools entered into a 15 year land contract in 2003 for \$100,000 at the interest rate of 8%. The land contract was for the purchase of land. The balance at June 30, 2008 was \$78,394.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 7 - LONG-TERM DEBT, (Continued):**

**E) Annual Principal Requirements**

The annual principal requirements for all debts outstanding as of June 30, 2008 are as follows:

	Bonds Payable	Interest	Total
June 30, 2009	\$748,988	\$367,597	\$1,116,585
June 30, 2010	815,662	358,320	1,173,982
June 30, 2011	793,725	319,630	1,113,355
June 30, 2012	816,677	298,157	1,114,834
June 30, 2013	843,691	274,233	1,117,924
June 30, 2014-2018	6,240,267	952,603	7,192,870
June 30, 2019-2023	2,833,000	202,881	3,035,881
Accumulated Early Retirement Incentives	136,500		136,500
Accumulated Compensated Absences	119,759		119,759
Total	<u>\$13,348,269</u>	<u>\$2,773,421</u>	<u>\$16,121,690</u>

The actual date of payment of sick days payable is undeterminable.

**F) Changes in General Long-Term Debt**

The following is a summary of the long-term debt of the school district for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due In One Year
Governmental Activities:					
General Obligation & Durant Bonds	\$ 11,974,020	\$3,308,000	\$2,190,010	\$ 13,092,010	\$ 615,011
Capital Leases	-			-	-
Early Retirement Incentives	280,500		144,000	136,500	136,500
Compensated Absences	146,690		26,931	119,759	-
Total Governmental Activities	<u>\$ 12,401,210</u>	<u>\$3,308,000</u>	<u>\$2,360,941</u>	<u>\$ 13,348,269</u>	<u>\$ 751,511</u>

An amount of \$1,196,515 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2008 was \$401,149.

**NOTE 8 – TRANSFERS:**

The general fund during the current fiscal year transferred \$101,785 to the athletic fund to subsidize operations and \$137,663 to the QZAB debt retirement fund to fund the annual payment and \$25,400 to the hot lunch fund to subsidize operations.

**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 9 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	BALANCE July 1, 2007	ADDITIONS	DELETIONS	BALANCE June 30, 2008
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 100,000			\$ 100,000
Capital assets, being depreciated:				
Buildings and additions	17,667,298			17,667,298
Land improvements	628,021			628,021
Equipment and furniture	249,885			249,885
Vehicles	1,041,676	38,428	(15,310)	1,064,794
Total capital assets being depreciated	19,586,880	38,428	(15,310)	19,609,998
Accumulated depreciation:	(7,493,649)	(520,203)	15,310	(7,998,542)
Net capital assets being depreciated	12,093,231	(481,775)	-	11,611,456
Net governmental capital assets	<u>\$ 12,193,231</u>	<u>\$ (481,775)</u>	<u>\$ -</u>	<u>\$ 11,711,456</u>

Depreciation expense was charged as unallocated to the governmental activities in the amount of \$520,203.

**NOTE 10 – SHORT-TERM DEBT:**

The District borrowed \$1,650,000 at 3.68% interest per annum on August 20, 2007, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2008. The balance as of June 30, 2008 was \$1,650,000.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
State Aid Note	<u>\$1,500,000</u>	<u>\$1,650,000</u>	<u>\$1,500,000</u>	<u>\$1,650,000</u>



**SANDUSKY COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 11 – OPERATING LEASES:**

Sandusky Community Schools has entered into the following operating leases summarized below:

Operating Lease as Lessor

The District entered into a lease with the Sanilac Intermediate School District Special Education Consortium for the purpose of leasing a building under construction at the Sandusky Middle School. The lease dates June 16, 1993 began July 1, 1993 with occupancy occurring on or about August 23, 1993 and extends for fifteen years. Lease payments totaling \$140,000 were paid at the inception of the lease. The purpose of the lease is to allow the consortium to provide special education services and other related services. The lessor is responsible for all utilities and property and casualty insurance.

Operating Lease as Lessee

The District entered into a lease with Capital Advantage Leasing for the purpose of leasing 11 digital copiers and 16 printers. The lease is for 60 months and requires monthly payments of \$3,458. At June 30, 2007, future lease payments under the lease are as follows:

June 30, 2009	\$41,496
June 30, 2010	41,496
June 30, 2011	41,496
June 30, 2012	31,122

**NOTE 12 – SELF INSURANCE POOL:**

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on coverage. Should the pool experience significant losses in the aggregate; the School District may be required to pay additional monies to the pool.

**NOTE 14 – SUBSEQUENT EVENT:**

The District borrowed \$1,310,000 at 1.63% interest per annum on August 20, 2008, from Chase Bank on a State Aid Anticipation Note to meet cash flow needs for the 2008-2009 fiscal year.

## REQUIRED SUPPLEMENTARY INFORMATION

**SANDUSKY COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended June 30, 2008

	<b>BUDGET</b>			<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
REVENUES:				
Local sources	\$ 1,483,610	\$ 1,488,918	\$ 1,502,580	\$ 13,662
State sources	8,250,735	8,359,346	8,330,580	(28,766)
Federal sources	364,396	351,025	362,630	11,605
<b>TOTAL REVENUES</b>	<b>10,098,741</b>	<b>10,199,289</b>	<b>10,195,790</b>	<b>(3,499)</b>
EXPENDITURES:				
Instruction	6,370,021	6,495,115	6,383,346	111,769
Supporting services	3,696,950	3,616,154	3,496,800	119,354
Community services	8,601	8,656	6,654	2,002
<b>TOTAL EXPENDITURES</b>	<b>10,075,572</b>	<b>10,119,925</b>	<b>9,886,800</b>	<b>233,125</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>23,169</b>	<b>79,364</b>	<b>308,990</b>	<b>229,626</b>
OTHER FINANCING SOURCES (USES):				
Transfers from Other Funds	-	-	-	-
Sale of Fixed Assets	-	1,750	1,750	-
Transfers from Other Districts	16,000	21,680	52,376	30,696
Transfers to Other Funds	(286,361)	(272,061)	(264,848)	7,213
Principal Retirement	-	-	-	-
Purchase of Land	(5,011)	(5,011)	(5,011)	-
Interest on Purchase of Land	(6,672)	(6,672)	(6,672)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(282,044)</b>	<b>(260,314)</b>	<b>(222,405)</b>	<b>37,909</b>
<b>EXCESS OF REVENUES OVER EXPEN- DITURES &amp; OTHER SOURCES (USES)</b>	<b>(258,875)</b>	<b>(180,950)</b>	<b>86,585</b>	<b>267,535</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>761,583</b>	<b>761,583</b>	<b>761,583</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 502,708</b>	<b>\$ 580,633</b>	<b>\$ 848,168</b>	<b>\$ 267,535</b>

## ADDITIONAL INFORMATION

**SANDUSKY COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**June 30, 2008**

			<u>TOTAL</u>
	<u>SPECIAL</u>	<u>DEBT</u>	
<u>ASSETS</u>	<u>REVENUE</u>	<u>SERVICE</u>	<u>2008</u>
CURRENT ASSETS			
Cash	\$ 71,980	\$ 232,869	\$ 304,849
Investments		-	-
Accounts receivable	3,895	5	3,900
Due from other funds	9,251		9,251
Due from other governmental units	-		-
Inventory	-		-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 85,126</u></b>	<b><u>\$ 232,874</u></b>	<b><u>\$ 318,000</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
LIABILITIES			
Accounts payable	\$ 17,719		\$ 17,719
Due to other funds	976		976
Deferred revenue			-
Accrued payroll taxes			-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b><u>18,695</u></b>	<u>          </u>	<b><u>18,695</u></b>
FUND BALANCE			
Unreserved:			
Designated for debt retirement		\$ 232,874	232,874
Undesignated	66,431		66,431
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCE</b>	<b><u>66,431</u></b>	<b><u>232,874</u></b>	<b><u>299,305</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 85,126</u></b>	<b><u>\$ 232,874</u></b>	<b><u>\$ 318,000</u></b>

**SANDUSKY COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2008**

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL 2008</u>
<b>REVENUES:</b>			
Local sources			
Property tax		\$ 912,814	\$ 912,814
Interest income	\$ 2,748	11,823	14,571
Food sales and athletic admissions	279,854		279,854
Other	2,278		2,278
State sources	46,519		46,519
Federal sources	340,993		340,993
<b>TOTAL REVENUES</b>	<u>672,392</u>	<u>924,637</u>	<u>1,597,029</u>
<b>EXPENDITURES:</b>			
Food services activities	652,826		652,826
Athletic activities	150,886		150,886
Capital outlay			-
Debt service:			
Principal retirement		610,000	610,000
Interest		394,477	394,477
Other		5,458	5,458
<b>TOTAL EXPENDITURES</b>	<u>803,712</u>	<u>1,009,935</u>	<u>1,813,647</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(131,320)	(85,298)	(216,618)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from other funds	127,185	-	127,185
Proceeds from bond refunding		1,720,000	1,720,000
Bond issuance costs		(29,487)	(29,487)
Payments to bond escrow agent		(1,575,000)	(1,575,000)
Deferred amount		(70,285)	(70,285)
Transfers to other funds	-		-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>127,185</u>	<u>45,228</u>	<u>172,413</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u>(4,135)</u>	<u>(40,070)</u>	<u>(44,205)</u>
<b>FUND BALANCE - JULY 1</b>	<u>70,566</u>	<u>272,944</u>	<u>343,510</u>
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 66,431</u>	<u>\$ 232,874</u>	<u>\$ 299,305</u>

**SANDUSKY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**YEAR ENDED JUNE 30, 2008**

	<u>ACTUAL</u>
REVENUE FROM LOCAL SOURCES:	
Property Tax	\$ 1,237,227
Interest income	60,314
Tuition and fees	-
Rental of building	61,158
Transfer from Student Activities	20,489
Other	<u>123,392</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,502,580</u>
REVENUE FROM STATE SOURCES:	
State aid	7,748,374
At risk	208,343
Preschool program	119,000
Special education	<u>254,863</u>
TOTAL REVENUE FROM STATE SOURCES	<u>8,330,580</u>
REVENUE FROM FEDERAL SOURCES:	
Title I	198,014
Title VI	-
IDEA Project #080450-0708	62,000
Title II	74,531
Title V	1,375
Other Federal Grants	<u>26,710</u>
TOTAL REVENUE FROM FEDERAL SOURCES	<u>362,630</u>
OTHER FINANCING SOURCES	
Transfers from Other Funds	-
Sale of Fixed Assets	1,750
Transfers from Other Districts	<u>52,376</u>
TOTAL REVENUE FROM OTHER FINANCING SOURCES	<u>54,126</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 10,249,916</u></u>

**SANDUSKY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**

	<u>ACTUAL</u>
INSTRUCTION:	
Basic Programs:	
Elementary:	
Professional Salaries	\$ 1,262,747
Non-Professional Salaries	59,669
Insurance Benefits	342,369
FICA, Retirement, Etc.	379,578
Purchased Services	11,737
Supplies	21,247
Capital Outlay	554
Miscellaneous	<u>2,474</u>
Total Elementary	<u>2,080,375</u>
Middle School:	
Professional Salaries	977,464
Non-Professional Salaries	33,013
Insurance Benefits	287,968
FICA, Retirement, Etc.	247,241
Purchased Services	12,880
Supplies	38,638
Capital Outlay	971
Miscellaneous	<u>2,999</u>
Total Middle School	<u>1,601,174</u>
High School:	
Professional Salaries	939,453
Non-Professional Salaries	21,954
Insurance Benefits	270,599
FICA, Retirement, Etc.	272,557
Purchased Services	54,896
Supplies	32,852
Capital Outlay	13,741
Miscellaneous	<u>3,380</u>
Total High School	<u>1,609,432</u>



**SANDUSKY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**

	<u>ACTUAL</u>
INSTRUCTION, (Continued):	
Basic Programs, (Continued):	
Pre-School Program:	
Professional Salaries	\$ 48,117
Non-Professional Salaries	21,973
Insurance Benefits	33,266
FICA, Retirement, Etc.	16,678
Purchased Services	2,268
Supplies	829
Capital Outlay	-
	<hr/>
Total Pre-School Program	123,151
	<hr/>
Total Basic Programs	5,414,132
	<hr/>
Added Needs:	
Special Education:	
Professional Salaries	314,810
Non-Professional Salaries	28,291
Insurance Benefits	104,773
FICA, Retirement, Etc.	108,672
Purchased Services	59,740
Supplies	1,377
Capital Outlay	-
	<hr/>
Total Special Education & Speech Therapy	617,663
	<hr/>
Compensatory Education:	
Professional Salaries	35,205
Non-Professional Salaries	123,677
Insurance Benefits	143,749
FICA, Retirement, Etc.	38,998
Purchased Services	112
Supplies	9,810
	<hr/>
Total Compensatory Education	351,551
	<hr/>
Total Added Needs	969,214
	<hr/>
TOTAL INSTRUCTION:	6,383,346
	<hr/>

**SANDUSKY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**

	<u>ACTUAL</u>
<b>SUPPORTING SERVICES:</b>	
Student Services:	
Professional Salaries	\$ 178,633
Non-Professional Salaries	28,042
Insurance Benefits	58,607
FICA, Retirement, Etc.	85,728
Purchased Services	16,241
Supplies	<u>3,961</u>
Total Student Services	<u>371,212</u>
Instructional Support:	
Professional Salaries	6,573
Non-Professional Salaries	50,807
Insurance Benefits	44,340
FICA, Retirement, Etc.	14,168
Purchased Services	5,572
Supplies	4,001
Capital Outlay	<u>-</u>
Total Instructional Support	<u>125,461</u>
General Administration:	
Professional Salaries	103,644
Insurance Benefits	16,480
FICA, Retirement, Etc.	36,989
Purchased Services	48,512
Supplies	3,178
Miscellaneous	<u>5,561</u>
Total General Administration	<u>214,364</u>
School Administration:	
Professional Salaries	228,554
Non-Professional Salaries	85,641
Insurance Benefits	61,878
FICA, Retirement, Etc.	76,014
Purchased Services	17,915
Supplies	<u>8,847</u>
Total School Administration	<u>478,849</u>

**SANDUSKY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**

	<u>ACTUAL</u>
SUPPORTING SERVICES, (Continued):	
Business Administration:	
Non-Professional Salaries	\$ 31,632
Insurance Benefits	7,430
FICA, Retirement, Etc.	7,877
Purchased Services	101,868
Supplies	2,101
Miscellaneous	<u>83,149</u>
Total Business Administration	<u>234,057</u>
Operations & Maintenance:	
Professional Salaries	52,273
Non-Professional Salaries	272,994
Insurance Benefits	133,016
FICA, Retirement, Etc.	85,911
Purchased Services	161,255
Supplies	433,555
Capital Outlay	35,545
Miscellaneous	<u>-</u>
Total Operations & Maintenance	<u>1,174,549</u>
Pupil Transportation:	
Professional Salaries	46,589
Non-Professional Salaries	247,221
Insurance Benefits	122,501
FICA, Retirement, Etc.	83,213
Purchased Services	31,983
Supplies	204,763
Capital Outlay	6,434
Miscellaneous	<u>205</u>
Total Pupil Transportation	<u>742,909</u>

**SANDUSKY COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2008**

	<u>ACTUAL</u>
SUPPORTING SERVICES, (Continued):	
Other Support Services:	
Non-Professional Salaries	\$ 271
Insurance Benefits	-
FICA, Retirement, Etc.	69
Purchased Services	84,253
Supplies	7,483
Capital Outlay	<u>63,323</u>
Total Other Support Services	<u>155,399</u>
TOTAL SUPPORTING SERVICES	<u>3,496,800</u>
COMMUNITY SERVICES:	
Professional Salaries	-
Non-Professional Salaries	4,947
FICA, Retirement, Etc.	1,208
Purchased Services	-
Supplies	<u>499</u>
TOTAL COMMUNITY SERVICES	<u>6,654</u>
OTHER FINANCING USES:	
Transfers to Other Funds	264,848
Purchase of Land	5,011
Interest on Purchase of Land	6,672
Payments on Loans	<u>-</u>
TOTAL OTHER FINANCING USES	<u>276,531</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 10,163,331</u>

**SANDUSKY COMMUNITY SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>
<b><u>ASSETS</u></b>			
Cash in bank	\$ 71,004	\$ 976	\$ 71,980
Accounts Receivable	3,895	-	3,895
Due from other funds	9,251	-	9,251
Due from other governmental units	-	-	-
Inventory	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 84,150</u></b>	<b><u>\$ 976</u></b>	<b><u>\$ 85,126</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
LIABILITIES:			
Accounts Payable	\$ 17,719		\$ 17,719
Due to other funds	-	\$ 976	976
<b>TOTAL LIABILITIES</b>	17,719	976	18,695
<b>FUND BALANCE</b>	<u>66,431</u>	<u>\$ -</u>	<u>66,431</u>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 84,150</u></b>	<b><u>\$ 976</u></b>	<b><u>\$ 85,126</u></b>

**SANDUSKY COMMUNITY SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>
<b>REVENUES:</b>			
Local Sources:			
Sale of meals & milk	\$ 230,797		\$ 230,797
Admissions		\$ 49,057	49,057
Interest	2,704	44	2,748
Sale of supplies			-
Other	2,278	-	2,278
Total Local Sources	<u>235,779</u>	<u>49,101</u>	<u>284,880</u>
State Sources:			
State Lunch Aid	46,519		46,519
Other	-		-
Total State Sources	<u>46,519</u>	<u>-</u>	<u>46,519</u>
Federal Sources:			
National School Lunch Program	309,516		309,516
USDA Commodities	31,477		31,477
Total Federal Sources	<u>340,993</u>	<u>-</u>	<u>340,993</u>
<b>TOTAL REVENUE</b>	<u><b>623,291</b></u>	<u><b>49,101</b></u>	<u><b>672,392</b></u>
<b>EXPENDITURES:</b>			
School Service Activities:			
Non-Professional Salaries	118,011	62,656	180,667
Insurance Benefits	100,095	-	100,095
FICA, Retirement, Etc.	31,374	11,374	42,748
Purchased Services	99,831	54,093	153,724
Supplies & other costs	287,967	22,763	310,750
Capital Outlay	15,728	-	15,728
<b>TOTAL EXPENDITURES</b>	<u><b>852,826</b></u>	<u><b>160,886</b></u>	<u><b>803,712</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>(29,535)</b></u>	<u><b>(101,785)</b></u>	<u><b>(131,320)</b></u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from General Fund	25,400	101,785	127,185
Transfers to General Fund	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>25,400</b></u>	<u><b>101,785</b></u>	<u><b>127,185</b></u>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u><b>(4,135)</b></u>	<u><b>-</b></u>	<u><b>(4,135)</b></u>
<b>FUND BALANCE - JULY 1</b>	<u><b>70,566</b></u>	<u><b>-</b></u>	<u><b>70,566</b></u>
<b>FUND BALANCE - JUNE 30</b>	<u><u><b>\$ 66,431</b></u></u>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ 66,431</b></u></u>

**SANDUSKY COMMUNITY SCHOOLS**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>2000/2008 DEBT SERVICE</u>	<u>2004 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
<b><u>ASSETS</u></b>				
Cash in bank	\$ 76,689	\$ 156,180	\$ -	\$ 232,869
Investments		-	-	-
Taxes Receivable	1	4	-	5
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 76,690</u></b>	<b><u>\$ 156,184</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 232,874</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>				
Reserved for debt service	\$ 76,690	\$ 156,184	\$ -	\$ 232,874
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 76,690</u></b>	<b><u>\$ 156,184</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 232,874</u></b>

**SANDUSKY COMMUNITY SCHOOLS**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2008**

	<u>2000/2008 DEBT SERVICE</u>	<u>2004 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
<b>REVENUES FROM LOCAL SOURCES:</b>				
Local Sources:				
Current tax levy	\$ 146,127	\$ 766,687		\$ 912,814
Miscellaneous		-		-
Interest on investments	2,315	9,508		11,823
Total Local Sources	148,442	776,195	-	924,637
State Sources			-	-
<b>TOTAL REVENUES</b>	<u>148,442</u>	<u>776,195</u>	<u>-</u>	<u>924,637</u>
<b>EXPENDITURES:</b>				
Bond principal	55,000	555,000	-	610,000
Bond interest	122,416	272,061	-	394,477
Bond fees and charges	593	250	-	843
Tax abatement	738	3,877	-	4,615
<b>TOTAL EXPENDITURES</b>	<u>178,747</u>	<u>831,188</u>	<u>-</u>	<u>1,009,935</u>
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	(30,305)	(54,993)	-	(85,298)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bond refunding	1,720,000			1,720,000
Bond issuance costs	(29,487)			(29,487)
Payments to bond escrow agent	(1,575,000)			(1,575,000)
Deferred amount	(70,285)			(70,285)
Transfer from other funds		-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>45,228</u>	<u>-</u>	<u>-</u>	<u>45,228</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	14,923	(54,993)	-	(40,070)
<b>FUND BALANCE - JULY 1</b>	<u>61,767</u>	<u>211,177</u>	<u>-</u>	<u>272,944</u>
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 76,690</u>	<u>\$ 156,184</u>	<u>\$ -</u>	<u>\$ 232,874</u>



**SANDUSKY COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS,**  
**CASH DISBURSEMENTS, AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2008</u>
STUDENT ACTIVITIES:				
Academic Games	\$ 109	-	-	\$ 109
AP Social Studies	-	-	-	-
Art Fund	2,424	\$ 2,739	\$ 3,195	1,968
Band	540	5,155	5,495	200
Baseball	213	571	632	152
Basketball	4,694	7,316	8,995	3,015
Brick Garden Fund	2,061	600	468	2,193
Cheerleaders	3,178	2,425	5,789	(186)
Class of 2007	81	-	81	-
Class of 2008	3,549	3,438	6,987	-
Class of 2009	1,351	11,462	9,027	3,786
Class of 2010	1,625	2,855	1,587	2,893
Class of 2011	-	1,240	126	1,114
Drama Fund	5,418	1,246	1,540	5,124
Elementary Fund	11,463	35,774	38,205	9,032
Equestrian Team	53	820	704	169
Football	1,465	12,311	13,698	78
Girls Basketball	2,788	6,101	5,597	3,292
Girls Soccer Club	32	288	-	320
Golden Apple	-	-	-	-
HS Fund	4,995	10,127	10,167	4,955
HS Gift Shop	291	600	227	664
HS Pop Fund	-	-	-	-
HS Student Council	744	2,015	2,085	674
JRN Scholarship Fund	2,234	600	1,000	1,834
Kohn Music Scholarship	-	2,515	-	2,515
Library	6,979	6,476	11,371	2,084
MV Accelerated Reader	1	-	-	1
MV Fourth Grade	3,475	20,659	21,490	2,644
MV Library	-	-	-	-
MV Music Program	155	486	-	641
MS Activities	388	-	-	388
MS Builders Club	301	179	220	260
MS Drama Club	784	2,733	1,954	1,563
MS Fund	10,374	5,371	11,176	4,569
MS Library	2,147	6	2,153	-
MS Quiz Bowl	334	1,463	178	1,619

**SANDUSKY COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS,**  
**CASH DISBURSEMENTS, AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2008</u>
STUDENT ACTIVITIES (Continued):				
MS Science Olympiad	\$ 156	\$ 317	\$ 324	\$ 149
MS Social Studies Olympics	303	153	294	162
MS Student Council	1,763	3,005	2,224	2,544
MS Tech Committee	2,422	1,330	176	3,576
MS Technology	853	-	853	-
MS Travel Club	934	11,155	10,966	1,123
National Honor Society	634	308	492	450
National Jr. Honor Society	730	164	860	33
Project Graduation	534	6,178	5,857	855
Public Improvement	350	-	-	350
R.A.I.D.	2,273	226	259	2,240
Ski Club	658	6,367	5,503	1,522
Soccer	734	348	-	1,082
Softball	923	1,987	1,554	1,356
Spanish Club	28	-	27	1
Special Education Club	1,439	342	143	1,638
Static	-	5,159	-	5,159
Golf & Tennis	360	2,407	2,610	157
Title One Supplies	-	-	1	(1)
Track	607	-	520	87
Volleyball	2,852	7,656	9,024	1,484
Woodshop Club	989	1,226	1,593	622
Wrestling	1,836	2,439	2,642	1,633
Yearbook	8,021	15,972	16,206	7,787
2008 Spring Grant	-	5,000	-	5,000
	<u>\$ 103,645</u>	<u>\$ 219,310</u>	<u>\$ 226,275</u>	<u>\$ 96,679</u>
TOTAL STUDENT ACTIVITIES	<u>\$ 103,645</u>	<u>\$ 219,310</u>	<u>\$ 226,275</u>	<u>\$ 96,679</u>

**SANDUSKY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - DURANT BONDS**  
June 30, 2008

\$154,111 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 8,576	\$ 2,246	2009	\$ 10,822
52,818	19,894	2010	72,712
9,413	1,409	2011	10,822
9,860	961	2012	10,821
10,329	492	2013	10,821
<u>\$ 90,996</u>	<u>\$ 25,002</u>		<u>\$ 115,998</u>

The above bond issue bears interest at 4.7613%.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.

**SANDUSKY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2000 SCHOOL BUILDING AND SITE BONDS**  
June 30, 2008

Purpose of Issue: Erecting, furnishing and equipping additions to Maple Valley Elementary and developing and improving athletic fields and facilities, parking and other site improvements. The bonds were issued July 26, 2000 in the amount of \$2,065,000 bearing interest rates varying from 5.00% to 5.50%.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2008			\$ 3,486	\$ 3,486
5/1/2009	\$ 65,000	5.125	3,486	68,486
11/1/2009			1,820	1,820
5/1/2010	70,000	5.200	1,820	71,820
TOTAL	<u>\$ 135,000</u>		<u>\$ 10,612</u>	<u>\$ 145,612</u>

The majority of these bonds were refunded during the June 30, 2008 fiscal year saving the school district \$100,391 in interest costs.

**SANDUSKY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2001 ENERGY CONSERVATION IMPROVEMENT BONDS**  
June 30, 2008

The Energy Conservation Improvement Bonds were issued June 1, 2001 in the amount of \$1,789,620 with an interest rate of 0.00%.

PRINCIPAL DUE JUNE 1	INTEREST DUE JUNE 1	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
-	-	2009	-
-	-	2010	-
-	-	2011	-
-	-	2012	-
-	-	2013	-
\$ 1,789,620	-	2014	\$ 1,789,620
<u>\$ 1,789,620</u>	<u>\$ -</u>		<u>\$ 1,789,620</u>

**SANDUSKY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2004 REFUNDING BONDS**  
June 30, 2008

Purpose of Issue: To refund all of the District's outstanding 1994 Bonds, dated January 12, 1994, which are and payable May 1, 2005 through May1, 2021. The bonds were issued January 21, 2004 in the amount of \$9,845,000 bearing interest rates varying from 2.000% to 4.125%.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2008			\$ 130,536	\$ 130,536
5/1/2009	\$ 560,000	2.200	130,536	690,536
11/1/2009			124,376	124,376
5/1/2010	570,000	2.450	124,376	694,376
11/1/2010			117,394	117,394
5/1/2011	580,000	2.700	117,394	697,394
11/1/2011			109,564	109,564
5/1/2012	595,000	3.000	109,564	704,564
11/1/2012			100,639	100,639
5/1/2013	605,000	3.150	100,639	705,639
11/1/013			91,110	91,110
5/1/014	610,000	3.350	91,110	701,110
11/1/2014			80,892	80,892
5/1/2015	620,000	3.500	80,893	700,893
11/1/2015			70,043	70,043
5/1/2016	615,000	3.650	70,042	685,042
11/1/2016			58,819	58,819
5/1/2017	600,000	3.800	58,819	658,819
11/1/2017			47,419	47,419
5/1/2018	590,000	4.000	47,419	637,419
11/1/2018			35,619	35,619
5/1/2019	595,000	4.000	35,619	630,619
11/1/2019			23,719	23,719
5/1/2020	585,000	4.125	23,719	608,719
11/1/2020			11,653	11,653
5/1/2021	565,000	4.125	11,653	576,653
<b>TOTAL</b>	<b>\$ 7,690,000</b>		<b>\$ 2,003,566</b>	<b>\$ 9,693,566</b>

**SANDUSKY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2008 REFUNDING BONDS**  
June 30, 2008

Purpose of Issue: To refund \$1,575,000 of the districts outstanding 2000 bonds dated July 26, 2000. The 2008 Refunding Bonds were issued March 6, 2008 in the amount of \$1,720,000 with an interest rate of 3.390%.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2008			\$ 38,062	\$ 38,062
5/1/2009	\$ 15,000	3.390	29,154	44,154
11/1/2009			28,900	28,900
5/1/2010	20,000	3.390	28,900	48,900
11/1/2010			28,561	28,561
5/1/2011	100,000	3.390	28,561	128,561
11/1/2011			26,866	26,866
5/1/2012	105,000	3.390	26,866	131,866
11/1/2012			25,086	25,086
5/1/2013	120,000	3.390	25,086	145,086
11/1/2013			23,052	23,052
5/1/2014	135,000	3.390	23,052	158,052
11/1/2014			20,764	20,764
5/1/2015	155,000	3.390	20,764	175,764
11/1/2015			18,137	18,137
5/1/2016	185,000	3.390	18,137	203,137
11/1/2016			15,001	15,001
5/1/2017	185,000	3.390	15,001	200,001
11/1/2017			11,865	11,865
5/1/2018	180,000	3.390	11,865	191,865
11/1/2018			8,814	8,814
5/1/2019	175,000	3.390	8,814	183,814
11/1/2019			5,848	5,848
5/1/2020	175,000	3.390	5,848	180,848
11/1/2020			2,880	2,880
5/1/2021	170,000	3.390	2,880	172,880
<b>TOTAL</b>	<u><u>\$ 1,720,000</u></u>		<u><u>\$ 498,764</u></u>	<u><u>\$ 2,218,764</u></u>

**SANDUSKY COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2008 ENERGY CONSERVATION AND BUILDING IMPROVEMENT BOND**  
June 30, 2008

The 2008 ENERGY Conservation and Building Improvement Bonds were issued March 20, 2008 in the amount of \$1,588,000 with an interest rate of 1.50%. The purpose is for acquiring and installing energy conservation, safety and building improvements to school facilities.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
2009	\$ 95,000	1.500	\$ 23,820	\$ 118,820
2010	97,000	1.500	22,395	119,395
2011	98,000	1.500	20,940	118,940
2012	100,000	1.500	19,470	119,470
2013	101,000	1.500	17,970	118,970
2014	103,000	1.500	16,455	119,455
2015	104,000	1.500	14,910	118,910
2016	106,000	1.500	13,350	119,350
2017	107,000	1.500	11,760	118,760
2018	109,000	1.500	10,155	119,155
2019	110,000	1.500	8,520	118,520
2020	112,000	1.500	6,870	118,870
2021	114,000	1.500	5,190	119,190
2022	115,000	1.500	3,480	118,480
2023	117,000	1.500	1,755	118,755
<b>TOTAL</b>	<u><u>\$ 1,588,000</u></u>		<u><u>\$ 197,040</u></u>	<u><u>\$ 1,785,040</u></u>



**SANDUSKY COMMUNITY SCHOOL DISTRICT**

ADDITIONAL REPORTS REQUIRED BY  
OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 7, 2008

To the Board of Education  
Sandusky Community Schools  
Sandusky, MI 48471

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Community Schools as of and for the year ended June 30, 2008, which collectively comprise Sandusky Community Schools basic financial statements and have issued our report thereon dated August 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Sandusky Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sandusky Community Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Office locations in Caro,  
Cass City & Marlette

To the Board of Education  
August 7, 2008

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

#### **COMPLIANCE AND OTHER MATTERS**

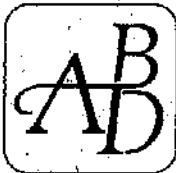
As part of obtaining reasonable assurance about whether Sandusky Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sandusky Community Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Sandusky Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
Terry L. Haske, CPA  
Jamie L. Peasley, CPA  
Timothy Franzel

Robert L. Tuckey, CPA

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 7, 2008

To the Board of Education  
Sandusky Community Schools  
Sandusky, MI 48471

### COMPLIANCE

We have audited the compliance of Sandusky Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Sandusky Community Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sandusky Community Schools' management. Our responsibility is to express an opinion on Sandusky Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sandusky Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sandusky Community Schools' compliance with those requirements.

In our opinion, Sandusky Community Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-3.

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Office locations in Caro,  
Cass City & Marlette

To the Board of Education  
August 7, 2008

#### **INTERNAL CONTROL OVER COMPLIANCE**

The management of Sandusky Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sandusky Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Sandusky Community Schools' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

*A control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance to be material weaknesses, as defined above.

#### **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandusky Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated August 7, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Sandusky Community Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SANDUSKY COMMUNITY SCHOOLS, SANDUSKY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>AWARD AMOUNT</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2006</u>	<u>(MEMO ONLY) PRIOR YEAR EXPENDITURES</u>	<u>CURRENT YEAR RECEIPTS</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>ACCRUED (DEFERRED) REVENUE 6/30/2008</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>								
Passed through Michigan Dept. of Education:								
ECIA Title I	84.010	081530 0708	\$ 230,667			\$ 198,014	\$ 198,014	\$ -
Title II A	84.367	080520 0708	72,582			72,582	72,582	-
Title V - Part A	84.298	080250 0708	1,375			1,375	1,375	-
Service Provider Self Review	84.027	080440 0708	656			656	656	-
Title II, Part D	84.318	084290 0708	1,949			1,949	1,949	-
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>307,229</b>			<b>274,576</b>	<b>274,576</b>	<b>-</b>
<b>TRANSFERS FROM OTHER GOVERNMENTAL UNITS:</b>								
Sanilac Intermediate School District								
IDEA - Flowthrough	84.027	080450-0708	62,000			62,000	62,000	
Tech Prep	84.048	083540-0708	500			500	500	
Tuscola Intermediate School District:								
Drug-free Grant	84.186		3,000			3,000	3,000	
PeNut Grant	84.027A		210			210	210	
<b>TOTAL TRANSFERS FROM OTHER GOVERNMENTAL UNITS</b>			<b>65,710</b>			<b>65,710</b>	<b>65,710</b>	

**SANDUSKY COMMUNITY SCHOOLS, SANDUSKY, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
National School Lunch Program	10.555		\$ 224,777			\$ 224,777	\$ 224,777	
Food Distribution Entitlement	10.550		31,307			31,307	31,307	
Food Distribution Bonus	10.550		170			170	170	
National School Lunch & Breakfast Program	10.553		80,609			80,609	80,609	
Headstart Program	10.558		4,130			4,130	4,130	
TOTAL U.S. DEPARTMENT OF AGRICULTURE								
340,993								
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Passed through Northeast Michigan Community Services Agency, Inc. (NEMSCA)								
Head Start	93.600		22,344			22,344	22,344	
TOTAL FEDERAL FINANCIAL ASSISTANCE								
\$ 736,276				\$ -	\$ -	\$ 703,623	\$ 703,623	\$ -

The accompanying notes are an integral part of this schedule.



**SANDUSKY COMMUNITY SCHOOL DISTRICT, SANDUSKY, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTES:**

1. Basis of Presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of Sandusky Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements and financial reports submitted to the Michigan Department of Education.
2. Title I (CFDA number 84.010) and the Hot Lunch Cluster (CFD numbers 10.550, 10.555, and 10.553) were audited as major programs representing 76.02% of federal expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000. This schedule was prepared on the modified accrual basis of accounting.
4. Management has utilized the Grant Section Auditor's Report (form R7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General Fund	\$362,630
Special Revenue Fund	<u>340,993</u>
Total per financial statements	<u>\$703,623</u>
 Total expenditures per the SEFA	 <u>\$703,623</u>

6. The amount reported on the Receipt Entitlement Balance Report agrees with this schedule for the USDA donated food commodities.

**SANDUSKY COMMUNITY SCHOOL DISTRICT, SANDUSKY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

84.010

Title I

Dollar threshold used to distinguish between type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**SANDUSKY COMMUNITY SCHOOL DISTRICT, SANDUSKY, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**Findings considered significant deficiencies**

**Finding 2008-1**

**Criteria:**

Effective for the year ended June 30, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Condition:**

After considering the qualifications of the accounting personnel of Sandusky Community Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

**Cause:**

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

**Effect:**

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

**Recommendation:**

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

**Client Response:**

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**Finding 2008-2**

**Criteria:**

Statement on Auditing Standards #112 titled *Communicating Internal Control Related matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

**Condition:**

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

**Context:**

Internal controls are weakened due to the lack of segregation of duties.

## **Section II – Financial Statement Findings (Continued)**

### **Effect:**

Other staff members and/or board members must be utilized in order to achieve good internal controls.

### **Cause:**

The district doesn't have enough staff in the business office to have a proper segregation of duties.

### **Recommendation:**

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

## **Section III – Federal Award Findings and Questioned Costs**

### **Finding 2008-3**

#### **Criteria:**

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charged for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

#### **Condition:**

The District did not complete the time certifications required for the employees working solely on a single Federal award or cost objective.

#### **Context:**

Salaries and wages charged to the program could be disallowed.

#### **Effect:**

Proper documentation of time spent by full time employees is not being completed.

#### **Cause:**

The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.

#### **Recommendation:**

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months if they are 100% federally funded or keep appropriate time records if they are part-time federal employees.

**SANDUSKY COMMUNITY SCHOOL DISTRICT, SANDUSKY, MICHIGAN  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

Findings considered material weaknesses

**Finding 2007-1**

Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition:

After considering the qualifications of the accounting personnel of Sandusky Community Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

Current Status:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**Section III – Federal Award Findings and Questioned Costs**

None

**SANDUSKY COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
AUGUST 7, 2008  
CONTACT PERSON: MARTHA ESSENMACHER  
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Sandusky Community School District respectfully submits the following corrective action plan for the year ended June 30, 2008.

**Auditor:** Anderson, Tuckey, Bernhardt & Doran, PC  
715 E Frank St  
Caro, MI 48723

**Audit Period:** Year ended June 30, 2008

The findings from the June 30, 2008 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**Findings – Financial statement audit**

Significant deficiency 2008-01.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

**Action to be taken:** We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

Significant deficiency 2008-02.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

**Action to be taken:** We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**Finding – Federal awards audit**

Significant deficiency 2008-03.

**Recommendation:** We recommend that the time certifications are properly recorded in the future.

**Action to be taken:** We will meet all time certification requirements.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

## Certified Public Accountants

---

Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
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Valerie J. Hartel, CPA  
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Jamie L. Peasley, CPA  
Timothy Franzel  
.....  
Robert L. Tuckey, CPA

August 7, 2008

To the Members of the Board  
Sandusky Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sandusky Community Schools for the year ended June 30, 2008, and have issued our report thereon dated August 7, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 7, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 7, 2008.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Deckerville Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$119,759. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 7, 2008.

*Management Consultations with Other Independent Accountants*

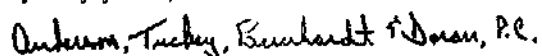
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Sandusky Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants